

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. MILAGROS DE JESUS-MACARAEG, RESPONDENT.

G.R. No. 244213. September 14, 2021

Ponente: LAZARO-JAVIER, J.

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LAZARO-JAVIER, J.:

The Case

This petition assails the Decision[1] dated February 15, 2018 and Resolution[2] dated January 9, 2019 of the Court of Appeals in CA-G.R. SP No. 06849-MIN filing just compensation for the subject property at P1,271,523.91 and imposing twelve percent (12%) legal interest per annum on the amount due from the time of taking until fully paid.

Antecedents

Respondent Milagros De Jesus-Macaraeg (Milagros) is the registered owner of a 15.1836 hectare parcel of land located in Cawayan, Calinan, Davao City under Transfer Certificate of Title (TCT) No. T-77552.[3]

In 2002, 7.1838 hectares of the subject land were placed under the Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act No. 6657[4] (RA 6657). The Department of Agrarian Reform (DAR) and petitioner Land Bank of the Philippines (Land Bank) valued the property at P65,756.61 per hectare or a total of P472,382.33 in accordance with the basic formula provided under DAR Administrative Order No. 5 (DAR AO5),[5] series of 1998. Land Bank offered the aforesaid amount to Milagros, albeit the latter rejected the offer.[6] Land Bank then deposited the amount under the name of Milagros.[7]

Thereafter, an administrative proceeding before the DAR Adjudication Board (DARAB) was conducted to fix the amount of just compensation. By Resolution dated February 19, 2003, the DAR Adjudicator valued the property at P1,280,099.20. Land Bank's motion for reconsideration was denied.[8]

Aggrieved, Land Bank brought the case to the Regional Trial Court-Branch 15, Davao City sitting as a Special Agrarian Court (RTC-SAC) via Civil Case No. 29, 824-2003.[9]

Ironically though, Land Bank did not appear during the scheduled hearing for presentation of its evidence. On the other hand, Milagros presented her valuation of P3,055,000.00 per appraisal of Asian Appraisal Corp. which she engaged for the purpose. She, too, offered the testimony of Ramon Macaraeg (Ramon), head of technical service unit of the Alcantara group which claimed to have conducted a study on the property's pineapple production in the year 2002. According to Ramon, the average production of pineapple then was 46,666 kilos per hectare. Too, the average price of pineapples based on agricultural statistics was P15.00 per kilo.[10] Incidentally, Ramon is the husband of Milagros.[11]

Meantime, on March 3, 2003, Milagros withdrew the initial deposit of just compensation made by Land Bank.[12]

By Decision dated February 21, 2005, the RTC-SAC fixed just compensation at P20.00 per square meter and

awarded P100,000.00 as attorney's fees. Under Order dated May 9, 2005, Land Bank's motion for reconsideration was denied.[13]

On Land Bank's appeal via CA-G.R. SP No. 00349-MIN,[14] the Court of Appeals, by Decision dated October 25, 2011,[15] resolved to remand the case to RTC-SAC for the proper computation of just compensation, and delete the award of attorney's fees for lack of basis.[16]

During the new round of proceedings before RTC-SAC, Land Bank submitted a recomputed valuation of the property using available data from the Bureau of Agricultural Statistics (BAS) in the amount of P777,880.40. This included an adjustment of the Annual Gross Production (AGP) of the property to 8,901.28 kilos of pineapple per hectare, priced at P7.96 per kilo.[17]

Ruling of the RTC-SAC

Under Decision[18] dated August 26, 2014, the RTC-SAC ordered Land Bank to pay Milagros P2,765,727.08 as just compensation, with twelve percent (12%) interest per annum until fully paid. The RTC-SAC arrived at this computation by setting the AGP of the property at 46,666 kilos of pineapple per hectare based on data borne in the DARAB Resolution dated February 19, 2003. It also claimed to have used its discretion when it set the Selling Price (SP) of the pineapples at P5.00 per kilo. Finally, the RTC-SAC pegged the Market Value (MV) of the property at P50.00 per square meter based on its zonal valuation.

Under Order[19] dated April 10, 2015, the motion for reconsideration of Land Bank, once again, was denied.

Dispositions of the Court of Appeals

By Decision[20] dated February 15, 2018, the Court of Appeals reversed. It ruled that the SP of P5.00 per kilo fixed by RTC-SAC was arbitrary, in which case, the Court of Appeals reduced the SP to P2.50 per kilo based on Land Bank's initial offer of P472,382.33. Another. Noting that DAR AOS prescribes the use of the assessed value of the property rather than its zonal value for purposes of computing its MV, the Court of Appeals, too, adjusted the MV to P20,012.96 per hectare.

The Court of Appeals nevertheless affirmed the use of 46,666 kilos per hectare as AGP, considering that the figure which Land Bank secured from the BAS (i.e. 8,901.28 kilos per hectare) was way lower than the figure used by DARAB itself. Thus, the Court of Appeals fixed the just compensation in the amount of P1,271,523.91[21] less the initial deposit.

The Court of Appeals also affirmed the award of legal interest, albeit at the reduced rate of six percent (6%) per annum in accordance with *Nacar v. Gallery Frames*. [22]

Land Bank's motion for reconsideration[23] dated March 8, 2018 was denied under Resolution[24] dated January 9, 2019.

Present Petition

Land Bank now asks the Court to reduce the amount of just compensation fixed by the Court of Appeals. It questions the use of 46,666 kilos per hectare as AGP even though it allegedly came from the self-serving submission of the husband of Milagros. Land Bank argues that pursuant to DAR AO5, the AGP must correspond to the latest 12-month gross production immediately preceding the field investigation, which was done here in May 2003. Following this rule, the AGP should be 8,901.28 kilos per hectare in accordance with relevant data from the BAS. Land Bank insists once again on the amount of P777,880.40 as just compensation where the AGP is 8,901.28 kilos per hectare, and the SP, P7.96 per kilo.

Land Bank also opposes the award of six percent (6%) interest per annum as it did not incur delay in the payment of just compensation. Citing *Land Bank of the Philippines v. Alcantara*[25] and *Land Bank of the Philippines v. Celada*,[26] it asserts that the timely deposit of its initial valuation should be considered as prompt payment of just compensation.

On the part of Milagros, she posits that the property should be valued at P210,000.00 per hectare based on the compromise agreement between the heirs of Marcela de Jesus (including herself) and Land Bank in Civil Case No. 28,340-00. The property is part of the same tract of land owned by Marcela prior to its coverage by CARP.[27]

She also defends the award of six percent (6%) legal interest per annum as she has been waiting for seventeen (17) long years already to receive just compensation from the government.

Our Ruling

The petition is partly granted.

Preliminarily, under Rule 45 of the Rules of Court, only questions of law may be raised as the Court is not a trier of facts. As a rule, therefore, the Court will not re-examine the evidence, nay, review the factual findings of the courts below. By way of exception, when the judgment is based on misapprehension of facts or when the factual findings of the tribunals below are conflicting,[28] the Court, in the exercise of its discretion, may review such factual findings. Here, since the valuation of the Court of Appeals is cogently at variance with the valuation of the RTC-SAC, the Court is constrained to review the respective factual findings of the two tribunals.

The Court of Appeals erred in fixing just compensation at P1,271,523.91

The RTC-SAC enjoys original and exclusive jurisdiction to determine just compensation for lands acquired for purposes of agrarian reform. In fixing just compensation, however, RTC-SAC must take into consideration the factors enumerated under Section 17 of RA 6657,[29] thus:

Sec. 17. Determination of Just Compensation. - In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

These factors have been translated into a basic formula under DAR AO5,[30] viz.:

A. There shall be one basic formula for the valuation of lands covered by [Voluntary Offer to Sell] VOS or [Compulsory Acquisition] CA:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all the three factors are present, relevant, and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

Verily, the default formula is $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$. The formula adjusts, however, when one or two of the factors other than MV are missing or otherwise inapplicable. In this case, there is no quibble that in the absence of data for CS, the following formula shall govern:

$$\text{Land Valuation} = (\text{Capitalized Net Income} \times 0.9) + (\text{Market Value} \times 0.1)$$

Notably, neither Land Bank nor Milagros assails the MV set by the Court of Appeals at P20,012.96 per hectare. We, thus, focus on the computation of the CNI.

Under DAR AO5,[31] the CNI is computed as follows:

CNI =

$$(\text{AGP} \times \text{SP}) - \text{CO}$$

0.12

Where:

CNI = Capitalized Net Income

AGP = Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of [Field Investigation (FI)].

SP = The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by the LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO = Cost of Operations

Whenever the cost of operations could not be ascertained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70%[.] DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.12 = Capitalization Rate

Here, the Court of Appeals used 46,666 kilos per hectare as the AGP of the subject property. But as correctly argued by Land Bank, this figure was unverified. In fact, it was based on the position paper of Milagros' husband who could hardly be considered as an independent, let alone, reliable or credible appraiser.

In stark contrast, Land Bank obtained data from the BAS pertaining to the production of pineapples within twelve (12) months before field inspection on May 3, 2002. Based on these data, the AGP should be fixed at 8,901.28 kilos per hectare. The Court finds this figure to be in accordance with the definition of AGP under DAR AO5.

The Court nevertheless finds that the SP used by the Court of Appeals ought to be adjusted too. To recall, RTC-SAC, in the exercise of its discretion, set the SP at P5.00 per kilo of pineapples. The Court of Appeals reduced this value by half at P2.50 per kilo based on Land Bank's initial offer of P472,382.33. But Land Bank itself later on corrected this figure after the Court of Appeals remanded the case to the RTC-SAC for a re-computation. To be sure, Land Bank subsequently increased its offer to P777,880.40 using P7.96 as the SP. This datum, by the way, was also obtained from the BAS.

Notably, Land Bank had consistently been using P7.96 as SP ever since the case got remanded to the RTC-SAC. Even in the present petition, Land Bank asserts that the same SP ought to be applied. Hence, we must bind Land Bank to its own admission that P7.96 per kilo of pineapple is the applicable SP in computing the CNI.

In view of the foregoing, the CNI should be recomputed, thus:

CNI

=

AGP x SP x 0.20

0.12

Where:

AGP

=

8,901.28

SP

=

P7.96

CNI

=

8,901.28 x P7.96 x 0.20

0.12

=

P118,090.31/hectare

Consequently, we arrive at the total land value of P777,880.40, thus:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

Where:

$$CNI = P118,090.31$$

$$MV = P20,012.96/\text{hectare}$$

$$LV = (P118,090.31/\text{hectare} \times 0.90) + (P20,012.96/\text{hectare} \times 0.10)$$

$$= P108,282.58/\text{hectare}$$

$$\text{Total Land Value} = LV \times \text{Area}$$

$$= P108,282.58/\text{hectare} \times 7.1838 \text{ hectares}$$

$$= P777,880.40$$

The award of legal interest was proper

Contrary to the claim of Land Bank, the Court of Appeals did not err in imposing legal interest on the balance owed to Milagros. For the right to be paid just compensation includes the right to be paid on time. Land Bank of the Philippines v. Uy,[32] citing Apo Fruits Corporation v. Land Bank of the Philippines[33] elucidates:

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking. Indeed, without prompt payment, compensation cannot be considered "just" inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land while being made to wait before actually receiving the amount necessary to cope with loss. Thus, in *Apo Fruits Corporation v. Land Bank of the Philippines*, we held that the payment of interest on unpaid just compensation is a basic requirement of fairness -

The owner's loss, of course, is not only his property but also its income-generating potential. Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost. The just compensation is made available to the property owner so that he may derive income from this compensation, in the same manner that he would have derived income from his expropriated property. If full compensation is not paid for the property taken, then the State must make up for the shortfall in the earning potential immediately lost due to the taking, and the absence of replacement property from which income can be derived; interest on the unpaid compensation becomes due as compliance with the constitutional mandate on eminent domain and as a basic measure of fairness.[34]

Here, Land Bank had already paid P472,382.33 to Milagros by depositing the same in her name. In fact, Milagros withdrew this initial deposit on March 3, 2003 even before Land Bank took possession of the property.[35] Deducting this amount from P777,880.40 would leave a balance of P305,498.07 on which the legal interest should be imposed.

In accordance with *Nacar v. Gallery Frames*,[36] however, the Court adjusts the interest rate to twelve percent (12%) legal interest per annum from March 3, 2003 until June 30, 2013 and thereafter, to six percent (6%) legal interest per annum until fully paid.

ACCORDINGLY, the petition is PARTLY GRANTED. The Decision dated February 15, 2018 and Resolution dated January 9, 2019 in CA-G.R. SP No. 06849-MIN are AFFIRMED with MODIFICATION.

The just compensation for respondent's property is fixed at P777,880.40. The difference between this final amount and the initial deposit of P472,382.33 shall earn twelve percent (12%) legal interest per annum from March 3, 2003 until June 30, 2013, and six percent (6%) legal interest per annum from July 1, 2013 until fully paid.

SO ORDERED.

Gesmundo, C. J., (Chairperson), M. Lopez, and J. Lopez, JJ., concur.
Caguioa, J., Please See Separate Opinion.

[1] Penned by Associate Justice Edgardo A. Camello and concurred in by Associate Justices Perpetua T. Atal-Paño and Walter S. Ong, rollo, pp. 40-56.

[2] Penned by Associate Justice Edgardo A. Camello and concurred in by Associate Justices Tita Marilyn Payoyo-Villordon and Walter S. Ong, id. at 58-60.

[3] Id. at 41.

[4] Comprehensive Agrarian Reform Law of 1988.

[5] Revised Rules And Regulations Governing The Valuation Of Lands Voluntarily Offered Or Compulsorily Acquired Pursuant To Republic Act No. 6657.

[6] Rollo, p. 41.

[7] Id. at 70.

[8] Id. at 41.

[9] Id.

[10] Id. at 42.

[11] Id. at 18.

[12] Id. at 27.

[13] Id. at 42.

[14] Id. at 42-43.

[15] Id. at 43.

[16] Id.

[17] Id. at 9, 19.

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

$$CNI = P118,090.31$$

$$MV = P20,012.96/\text{hectare}$$

$$LV = 106,281.28 + 2,001.30$$

$$LV = 108,282.58 \times 7.1838 \text{ hectares}$$

$$LV = [P]777,880.40$$

[18] Id. at 83-90.

[19] Id. at 135-141.

[20] Id. at 40-56.

[21] Id. at 52-53.

CNI =

$$(AGP \times SP) .20$$

$$0.12$$

=

$$(46,666 \times 2.5).20$$

0.12

=

116,665 x .20

0.12

= P194,441.67/hectare

MV = UMV x LAF x RCPI

Where:

UMV = 16,600 kilos per hectare

LAF = 80%

RCPI = 1.507

Thus,

MV = 16,600 x 0.80 x 1.507

= P20,012.96/hectare

x x x x

LV = (CNI x 0.90) + (MV x 0.10)

x x x x

= (P194,441.67 x 0.90) + (P20,012.96 x 0.10)

= P174,997.50 + P2,001.29

= P176,998.79/hectare (Emphases supplied)

[22] See 716 Phil. 267, 281 (2013).

[23] Rollo, pp. 63-76.

[24] Id. at 58-60.

[25] 826 Phil. 687, 702 (2018).

[26] 515 Phil. 467, 484 (2006).

[27] See rollo, p. 458.

[28] See *Land Bank of the Philippines v. Spouses Chu*, 808 Phil. 179, 189-190 (2017) (citations omitted).

[29] See *Land Bank of the Philippines v. Omengan*, 813 Phil. 901, 916 (2017).

[30] Supra note 5.

[31] Id.

[32] G.R. No. 221313, December 5, 2019.

[33] 647 Phil. 251 (2010).

[34] Id. at 276-277.

[35] Rollo, p. 27.

[36] Supra note 22.

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